COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

December 2, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **WEST COVINA GROUP HOME CORPORATION – A GROUP HOME FOSTER CARE CONTRACT PROVIDER – FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of West Covina Group Home Corporation (West Covina or Agency), from January 1, through December 31, 2009. West Covina is licensed to operate one group home (GH) with a resident capacity of six children. West Covina's GH is located in San Bernardino County.

DCFS and the Probation Department contract with West Covina to care for foster children placed in the Agency's home. DCFS paid West Covina $5,490 per child per month, based on a rate determined by the California Department of Social Services, for a total of $345,818 in 2009.

The issuance of our report was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable West Covina to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on November 17, 2010.

Summary of Findings

We identified $2,611 in unsupported/inadequately supported expenditures. West Covina also needs to strengthen its controls over its payroll/personnel files, bank deposits and reconciliations, independent contractors, Semi-Annual Expenditure

Reports, fixed assets, and insurance. Details of our findings are discussed in Attachment I.

We have recommended that DCFS resolve the questioned expenditures, and collect any disallowed amounts. DCFS should also ensure that West Covina management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with West Covina management and DCFS on July 26, 2011. The interval from July 26, 2011 to the issuance of the report includes a mandatory 90-day waiting period to allow the Agency to appeal the findings. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates the Agency has repaid the $2,611 in unsupported or inadequately supported costs, and generally agrees with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS, in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank West Covina management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Interim Director, DCFS
Cal Remington, Acting Chief Probation Officer
Reaver E. Bingham, Deputy Chief, Probation Department
Hardip Gill, Executive Director, West Covina Group Home Corporation
Board of Directors, West Covina Group Home Corporation
Cora Dixon, Bureau Chief, Foster Care Audits Bureau, CA Dept of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

West Covina Group Home Corporation
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified $2,611 in unsupported/inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

West Covina Group Home Corporation (West Covina or Agency) is required to operate its group home (GH) in accordance with the following federal, State, and County regulations and guidelines:

- GH Contract, including the Auditor-Controller GH Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, or other supporting documents, and that unsupported expenditures will be disallowed upon audit.

We indentified $2,611 in GH expenditures that were either unsupported, or inadequately supported.

- $1,046 in inadequately supported furniture expenditures. The furniture described on the invoices was not at the GH.
- $865 in inadequately supported clothing expenditures. The Agency provided an original receipt, but could not tell us who received the clothing or verify that it benefitted the GH program.
- $700 in inadequately supported expenditures to purchase storage sheds. We noted that the sheds are located at the Executive Director's personal residence, and are used to store mostly non-GH items.

Recommendations

1. **DCFS management resolve the $2,611 in unsupported/inadequately supported expenditures and collect any disallowed amounts.**

West Covina management:

2. **Ensure that foster care monies are used for allowable expenditures that benefit the GH program.**

3. **Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted some contract compliance issues and internal control weaknesses. DCFS should ensure that West Covina management takes action to address the recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Payroll/Personnel Records

The CDSS MPP Section 11-402 requires agencies to keep supporting documentation for all program expenditures, including employee pay rates. In addition, A-C Handbook Section B.3.2 indicates that employee pay rates should be documented in the employees' personnel records.

We reviewed the personnel and payroll records of eight employees, and noted that four did not contain the employees' current authorized pay rates. However, we determined the employees' pay rates were reasonable based on the Child Welfare League of America (CWLA) Salary Study.

Recommendation

4. **West Covina management ensure personnel files contain current employee pay rates approved by management.**

Untimely Deposits

The Agency deposited 14 payments from the County (warrants), totaling $33,485, into their bank account an average of 17 calendar days after the payments were issued. One warrant was deposited 25 calendar days after it was issued. A-C Handbook Section B.1.2 states that warrants totaling $500 or more should be deposited within one day of receipt.

To improve cash flow and minimize the risk of loss or theft, West Covina should ensure that County warrants are deposited timely, and consider having County payments deposited electronically directly into the Agency's bank account.

Recommendation

5. **West Covina management ensure that County warrants are deposited timely, and consider having its County warrants deposited electronically directly into the Agency's bank account.**

Bank Reconciliations

A-C Handbook Section B.1.4 requires bank reconciliations be prepared within 30 days of the bank statement date, and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer.

We reviewed bank reconciliations for calendar year 2009, and noted that the May reconciliation was dated more than a year after the bank statement date. The Agency indicated that the reconciliation was prepared timely, but the preparation date was in error. We also noted that the reviewer did not sign and date the May 2009 reconciliation, which the Agency indicated was a one-time oversight.

Recommendation

6. **West Covina management ensure bank reconciliations are prepared timely, and signed and dated by the preparer and reviewer.**

Independent Contractors

A-C Handbook Section A.3.2 requires agencies to have contracts, time and attendance records, billing rates or other supporting documentation detailing the nature of services being provided by independent contractors.

West Covina paid two independent contractors with whom they did not have written contracts. The Agency should establish written contracts with independent contractors to ensure services are provided at the agreed price.

Recommendation

7. **West Covina management establish written contracts with independent contractors to ensure services are provided at the agreed price.**

Semi-Annual Expenditure Report

GH Contract Section 16 requires agencies to prepare and submit Semi-Annual Expenditure Reports to DCFS within 60 days after the end of each semi-annual reporting period.

West Covina submitted its Semi-Annual Expenditure Reports to DCFS timely. However, some amounts on the reports did not agree with the Agency's accounting records. For example, total expenditures for "Child Care and Supervision" reported in the Semi-Annual Expenditure report did not agree with the Agency's accounting records. West Covina needs to revise and resubmit updated Semi-Annual Expenditure Reports to DCFS, and ensure that future reports agree with the Agency's accounting records.

Recommendation

8. **West Covina management revise and resubmit updated Semi-Annual Expenditure Reports for 2009, and ensure that the expenditure reports agree with the Agency's accounting records.**

Fixed Assets Inventory

A-C Handbook Section B.4.2 states that all assets should be inventoried at least annually, to ensure that fixed assets are accounted for, and maintained in proper working order. West Covina did not conduct an inventory of its fixed assets during the period of our review.

Recommendation

9. **West Covina management inventory all fixed assets at least annually to ensure that fixed assets are accounted for, and maintained in proper working order.**

Insurance

GH Contract Section 5.1.3 requires agency insurance policies to expressly state that the County must be given written notice by mail at least 30-days before the cancellation of all policies evidenced on the certificate of insurance. West Covina's workers' compensation insurance certificate only provides ten-days prior written notice.

Recommendation

10. **West Covina management ensure the Agency's insurance policies provide the County at least 30-days advance written notice of a policy cancellation.**

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PHILIP L. BROWNING
Interim Director

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

September 7, 2011

Hardip Gill, Executive Director
West Covina Corporation
100 Stagecoach Circle
West Covina, CA 91791

Dear Mr. Gill:

AUDITOR-CONTROLLER'S FISCAL REVIEW OF WEST COVINA GROUP HOME CORPORATION – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

We have reviewed your fiscal corrective action plan (FCAP) in response to the Auditor Controller's fiscal audit report for the period of January 1, 2009 through December 31, 2009. The FCAP fully addresses the audit report 10 recommendations (see Attachment III). In addition, the one recommendation directed to DCFS was fully addressed.

DCFS requires that West Covina Group Home Corporation, as agreed to submit a check drawn on non-foster care funds in the total amount of $2,611.00. Please make your checks payable to DCFS Cashier and mail to:

Latisha Thompson, ASM III
Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, Ca. 90020

The Department requires that you identify the source of the funds from which payment will be made.

If you have any questions, please contact Ali Gomaa-Mersal of my staff at (213) 351-3209.

Sincerely,

Latisha Thompson

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

Attachments
c: Mike McWatters, Chief Audit Division (via electronic mail only)
Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

ATTACHMENT III

FISCAL REVIEW OF WEST COVINA GROUP HOME CORPORATION – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated 9/6/11, submitted by West Covina Group Home Corporation, status of each recommendation is summarized as follows:

- 10 Recommendations (1 - 10) were fully addressed.
- __ Recommendations (_____) were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolves the $2,611 in unsupported/inadequately supported expenditures and collect any disallowed amounts.**

   Agency Proposed FCAP: West Covina GH agreed to repay the amount of $2,611 of unsupported expenditures to DCFS. The executive director of WCGH will issue a personal check to the department for that amount.

   DCFS Response: DCFS requires that West Covina Group Home Corporation, as agreed to submit a check drawn on non-foster care funds in the total amount of $2,611.00. Please make your checks payable to DCFS Cashier and mail to:

   Latisha Thompson, ASM III
   Department of Children and Family Services
   425 Shatto Place Rm. 304
   Los Angeles, Ca. 90020

   The Department requires that you identify the source of the funds from which payment will be made.

2. **West Covina management ensures that foster care monies are used for allowable expenditures that benefit the GH program.**

Agency Proposed FCAP: West Covina GH management will ensure that foster care monies will be used strictly for allowable expenses to carry out the purpose and activities of the agency according with the LA County contract, State and Federal regulations.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

3. **West Covina management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts**

Agency Proposed FCAP: West Covina GH management will maintain adequate supporting documentation for all agency expenditures with original itemized invoices, receipts, contracts and or any original documentation.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

4. **West Covina management ensures personnel files contain current employee pay rates approved by management.**

Agency Proposed FCAP: West Covina GH will ensure that all employee/personnel files will contain employee pay rates and any pay rate increase/decrease will be approved by management. The employee review form will have a section to indicate any changes in the pay rate.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

5. **West Covina management ensure that County warrants are deposited timely, and consider having its County warrants electronically deposited directly into the Agency's bank account.**

Agency Proposed FCAP: West Covina GH will ensure that all County warrants totaling more than $500 will deposited within one day of receipt. Also WCGH will consider the method of direct deposit from DCFS.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

6. **West Covina management ensure bank reconciliations are prepared timely and signed and dated by the preparer and reviewer.**

   Agency Proposed FCAP: West Covina will ensure that all bank reconciliations are prepared timely, sigh and dated by the preparer and by the reviewer.

   DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

7. **West Covina management establishes written contracts with independent contractors to ensure services are provided at the agreed price.**

   Agency Proposed FCAP: West Covina GH will establish written contracts with all and any independent contractor before any payment is issue to ensure that services are provided at the contract agreed price.

   DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

8. **West Covina management revise and resubmit updated Semi-Annual Expenditure Reports for 2009, and ensure that the expenditure reports agree with the Agency's accounting records.**

   Agency Proposed FCAP: West Covina will revise and resubmits the Semi-Annual Expenditure Report for 2009 and will ensure that any future Semi-annual report agrees with the agency's accounting records.

   DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

9. **West Covina management inventory all fixed assets at least annually to ensure that fixed assets are accounted for and maintained in proper working order.**

   Agency Proposed FCAP: West Covina GH management will ensure that all fixed assets purchased with a cost value of $500 or more and purchased with

County funds will be appropriately accounted for. An annual inventory will be performed and all fixed assets will be tagged. In addition a fixed assets list will be keep that will include the serial number, acquisition date, cost, and source of funding for the acquisition. A periodic physical review will be performed to ensure that they are maintained in proper working order.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

10. **West Covina management ensures the Agency's insurance policies provide the County at least 30 days advance notice of cancellation.**

Agency Proposed FCAP: West Covina GH management will ensure that the Agency's insurance policy provides the County of Los Angeles a 30 days advance written policy notice of cancellation.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.